GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:7243
ANSWERED ON:13.05.2005
PRIVATE INVESTMENT IN POWER SECTOR
Kalmadi Shri Suresh

Will the Minister of POWER be pleased to state:

(a) whether the Government have cleared the roadmap for power reforms recently envisages an investment of Rs.9,00,000 crore by 2012 and allowed a large proportion from private sector as appeared in the Times of India dated the Feb. 4, 2005;

(b) if so, the facts reported therein; and

(c) the steps taken by the Government in this regard?

Answer

THE MINISTER OF POWER(SHRI P.M. SAYEED)

(a) & (b) : The National Electricity Policy which has been notified by the Central Government under section 3 of the Electricity Act, 2003, states that `to meet the objective of rapid economic growth and `power for all` including household electrification, it is estimated that an investment of the order of Rs.9,00,000 crores at 2002-03 price level would be required to finance generation, transmission, sub- transmission, distribution and rural electrification projects. Power being most crucial infrastructure, public sector investments, both at the Central Government and State Governments, will have to be stepped up. Considering the magnitude of the expansion of the sector required, a sizeable part of the investments will also need to be brought in from the private sector`.

(c) : The Electricity Act, 2003 creates a liberal framework for development of the electricity industry, promoting competition therein, protecting interest of consumers and supply of electricity to all areas, rationalization of electricity tariff, ensuring transparent policies regarding subsidies, constitution of Regulatory Commissions and establishment of Appellate Tribunal. The Act reduces entry barriers in different segments of power supply industry and promotes competition and in turn efficiency improvements.

Generation has been delicensed by the Act. The Act provides for non- discriminatory open access in transmission from the very outset. Open access in distribution is to be introduced by the SERCs in phases.

Section 63 of the Electricity Act, 2003 provides that the Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government. Central Government has issued the guidelines for competitive bidding for determination of tariff for procurement of power by distribution licensees. It is expected to facilitate private sector participation in generation.

Transmission has been permitted as a licensed activity. Transmission licensee is to be granted by the Appropriate Regulatory Commission.

The Act also provides for multiple distribution licenses in same area through their own distribution system. The Central Government has already notified the additional requirements for this purpose as stipulated in the Act.

Under the Electricity Act, 2003, captive power plants, including group captive, have been freely permitted.

Ministry of Power is facilitating financial closure of generation projects. An Inter Institutional Group (IIG) comprising senior representatives from the Financial Institutions and Ministry of Power has been constituted to focus on fast track power projects which could achieve early financial closure. Eleven private power projects having a total capacity of about 4000 MW have since achieved financial closure and another eleven projects with a total capacity of 12,000 MW are being monitored by the IIG for facilitating early financial closure.